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RUEHCV/AMEMBASSY CARACAS PRIORITY 2727
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RUEHPE/AMEMBASSY LIMA PRIORITY 2039
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TAGS: [ECON](#) [ETRD](#) [EINV](#) [EC](#)

SUBJECT: ECUADOR ECON WEEKLY: IMPORT TARIFFS INCREASE; RETURN TO
OPEC, BANK SUPER LOSES VETO, TAX EVASION

REF: a) QUITO 1969, b) Quito 999

11. (U) The following is a weekly economic update for Ecuador that reports notable developments that are not reported by individual cables.

Import Tariffs to Increase

12. (U) On October 24, Ecuador's Council on Foreign Trade and Investment (Comexi) approved a proposal to increase tariffs on 567 industrial goods and agricultural products. The proposal is part of the second phase of a tariff reform program initiated in August (reftel a); the first phase involved reducing tariffs on raw materials and inputs. According to Genaro Baldeon, Under Secretary for Commerce and Investment in the Ministry of Industry and Competitiveness, Secretary of Comexi, and author of the tariff proposal, the proposal's objective is to protect national production and increase fiscal collection by \$654 million per year. Products that will be subject to higher tariffs include clothing, jewelry, farm products (i.e. meat, vegetables, fruit, coffee, cacao, tobacco and flowers), and "special consumption" goods such as cell phones and videogames. According to the GOE, the increased tariff rates are below WTO bound rates. Private sector members of Comexi opposed some of the tariff increases, notably for cellular phones, but the government members of the commission approved the proposal in its entirety.

Ecuador to Return to OPEC

13. (SBU) On October 14 the GOE sent a letter to the OPEC Secretariat, stating Ecuador's intention to return to the

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Organization of Petroleum Exporting Countries (OPEC). Diego Stacey, Under Secretary in the Ministry of Foreign Relations, commented that Ecuador wants to participate in the November 2007 OPEC Summit in Saudi Arabia. However, Ecuador faces a debt to OPEC of \$5.7 billion left over from when it withdrew from the organization in 1992 (at the time, Ecuador's Energy Minister Andres Vivas announced that Ecuador was leaving the organization but would remain an associate). The GOE claims it received a response granting Ecuador's request to attend the summit on October 23.

Superintendent of Banks Loses Veto Authority

14. (SBU) In August, President Correa presented a complaint to the Constitutional Court stating that the Superintendent of Banks' ability to veto Banking Board decisions was unconstitutional. On October 1, the Constitutional Court resolved unanimously to

eliminate the Superintendent's veto authority. The Court indicated that this decision would avoid granting the Superintendent excessive power. (Current Superintendent of Banks Vergara was appointed by Congress, and Correa has accused him of being incompetent and favoring banking interests over state interests on several occasions. Correa appointees make up three out of the five Banking Board members (reftel b) and Correa evidently chaffed at the idea that the Vegara could block Board decisions).

Income Tax Evasion

15. (SBU) The El Comercio newspaper reported data from Ecuador's Internal Revenue Service (SRI) October 15 showing that only 44% of the 54,375 companies in Ecuador pay income taxes. According to SRI statistics, tax evasion is estimated to be almost \$3 billion. In 2007, SRI expects to collect only \$1.6 billion in income taxes. It noted that many important company conglomerates declare losses - for example, the 17 most important business conglomerates in the country own 674 companies, but only 41% of those companies pay taxes.

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